Registered Number 975601

SUN LIFE UNIT ASSURANCE LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2007

Registered Office: 5 Old Broad Street, London EC2N 1AD

SUN LIFE UNIT ASSURANCE LIMITED

DIRECTORS

N J-M D Moreau	(Chairman)
P J Evans	(Chief Executive)
D R Cheeseman	
F de Méneval	
A J Purvis	
I Robinson	

SECRETARY

J P Small

AUDITORS

PricewaterhouseCoopers LLP

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2007

BUSINESS REVIEW

Principal Activities

Prior to 1 January 2007, the Company's principal business was the transaction of unit-linked life insurance business in the United Kingdom Following the transfer of business described below, the Company ceased to transact insurance business and applied to the Financial Services Authority for de-authorisation This was received with effect from 31 December 2007

Transfer of Business

As reported in the Directors' Report accompanying the Financial Statements for the year ended 31 December 2006, during March 2006 initial Court approval was received to commence the process under the Part VII scheme to transfer all

a) of the policies and associated assets and liabilities in the long term fund of the Company into the long term fund of AXA Sun Life plc ("ASL"), and

b) all the assets and liabilities in the shareholder fund of the Company into the ASL shareholder fund

The purpose of the Scheme was to simplify the corporate structure of the AXA Sun Life Holdings plc group and to enhance its capital efficiency

Final Court approval of the Scheme was obtained in July 2006 The Scheme was implemented on 1 January 2007 and resulted in £14,513m of assets and £14,046m of liabilities being transferred into ASL The transfer resulted in a loss of £467m being recognised in the current period and the capital and reserves of the Company being reduced to £nil

Implementation of the Scheme resulted in the cancellation of the existing intra-group reinsurance contracts between ASL, Sun Life Assurance Society plc ("SLAS") and the Company in respect of unit-linked business

Future Outlook

Following the transfer of business the Company has ceased to transact insurance business No further changes to activities are anticipated in the foreseeable future

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006 £26m interim dividend, nil final dividend)

DIRECTORS

The dırectors of the Company at the date of thıs report are shown on page 1

Mr I D L Rıchardson resıgned as a dırector of the Company on 31 December 2007
Mr P L H Maso y Guell Rıvet resıgned as a dırector of the Company on 11 Aprıl 2008
Mr D E Hynam resıgned as a dırector of the Company on 11 June 2008
Mr I Robınson was appoınted as a dırector of the Company on 18 June 2008
Mr D R Cheeseman was appoınted as a dırector of the Company on 23 July 2008

EXERCISE OF DIRECTORS' AXA SA OPTIONS

2 dırectors of the Company exercısed share optıons durıng the year (2006 2)

INDEMNIFICATION OF DIRECTORS

The Company ıs party to a group-wıde ındemnıty polıcy whıch benefits all of ıts current dırectors and ıs a Qualıfyıng Thırd Party Indemnıty Provısıon for the purpose of the Companıes Act 1985

PAYMENT OF CREDITORS

All trade purchases are dealt wıth through AXA Sun Lıfe Servıces plc ("ASLS")

AUDIT DISCLOSURE

Each dırector ın office at the date of approval of thıs report confirms that:

a) so far as he ıs aware, there ıs no relevant audıt ınformatıon of whıch the Company's audıtors are unaware, and

b) he has taken all the steps that he ought to have taken as a dırector ın order to make hımself aware of any relevant audıt ınformatıon and to establısh that the Company's audıtors are aware of that ınformatıon

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The followıng statement ıs made wıth a vıew to dıstınguıshıng for shareholders the respectıve responsıbılıtıes of the dırectors and of the audıtors ın relatıon to the financıal statements

The responsıbılıtıes of the audıtors are set out ın the audıtors' report

SUN LIFE UNIT ASSURANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By Order of the Board

J. P. Small
Secretary

29 July 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN LIFE UNIT ASSURANCE LIMITED

We have audited the financial statements of Sun Life Unit Assurance Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

29 July 2008

SUN LIFE UNIT ASSURANCE LIMITED

PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – LONG-TERM BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007		2006	
		£m	£m	£m	£m
Earned premiums, net of reinsurance					
Gross premiums written	3	-		1,537 5	
Outward reinsurance premiums		-		(0 7)	
			-		1,536.8
Investment income	4		-		938 4
Unrealised gains on investments			-		351.2
Other technical income, net of reinsurance			-		5 8
			-		2,832 2
Claims incurred, net of reinsurance					
Claims paid		-		(1,029 7)	
Change in provision for outstanding claims		**0.2**		0 3	
			0.2		(1,029.4)
Change in other technical provisions, net of reinsurance					
Long-term business provision		**13.3**		84 4	
Technical provisions for linked liabilities		**13,942.7**		(1,615 0)	
			13,956.0		(1,530 6)
Net operating expenses	5		**(374.3)**		(84 1)
Investment expenses and charges	6		-		(25 3)
Other technical charges	11		**(13,581.9)**		-
Tax attributable to the long-term business	10		-		(38 9)
Balance on the long-term business technical account			-		123 9
Balance on the long-term business technical account before exceptional items			-		58.2
Exceptional item	11		-		65.7
Balance on the long-term business technical account including exceptional items			-		123.9

All of the above amounts are in respect of discontinued operations

The information on pages 12 to 38 forms an integral part of these financial statements

SUN LIFE UNIT ASSURANCE LIMITED

PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007	2006
		£m	£m
Balance on the long-term business technical account		-	123 9
Tax credit attributable to the balance on the long-term business technical account	10	-	37 3
Shareholders' pre-tax profit from long-term business		-	161 2
Investment income	4	-	3 4
Investment expenses and charges	6	-	(0 5)
Unrealised losses on investments		-	(0 4)
Other charges		-	(0 2)
Exceptional item	11	(467.1)	-
(Loss) / Profit on ordinary activities before tax		(467.1)	163 5
Tax on profit on ordinary activities	10	-	(38 0)
(Loss) / Profit on ordinary activities after tax		(467.1)	125 5

All of the above amounts are in respect of discontinued operations

There were no gains or losses recognised during the year other than the loss for the financial year shown above

The information on pages 12 to 38 forms an integral part of these financial statements

SUN LIFE UNIT ASSURANCE LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007	2006
		£m	£m
Profit/ (loss) for the financial year	17	**(467.1)**	125 5
Dividends Paid		**-**	(26 0)
Net addition/ (reduction) to shareholders' funds		**(467.1)**	99 5
Shareholders' funds at 1 January		**467.1**	367 6
Shareholders' funds at 31 December		**-**	467 1

The information on pages 12 to 38 forms an integral part of these financial statements

SUN LIFE UNIT ASSURANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007		2006	
Assets		£m	£m	£m	£m
Investments					
Investments in group undertakings	12	-		28 0	
Other financial investments	13	-		127 9	
			-		155 9
Assets held to cover linked liabilities	14		-		13,942 7
Debtors					
Other debtors	15	-		31 2	
			-		31 2
Other assets					
Cash at bank and in hand			-		8 2
Prepayments and accrued income					
Accrued interest and rent		-		0 5	
Deferred acquisition costs		-		374 3	
Other prepayments and accrued income		-		0 6	
			-		375 4
Total assets			-		14,513 4

The information on pages 12 to 38 forms an integral part of these financial statements

SUN LIFE UNIT ASSURANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007 (CONTINUED)

	Note	2007		2006	
		£m	£m	£m	£m
Liabilities					
Capital and reserves					
Called up share capital	16	3.0		3 0	
Profit and loss account	17	(3.0)		464.1	
Shareholders' funds			-		467 1
Technical provisions					
Long-term business provision		-		13 3	
Claims outstanding		-		0 2	
			-		13.5
Technical provision for linked liabilities	19		-		13,942 7
Provisions for other risks and charges	20		-		39 2
Creditors					
Creditors arising out of direct insurance operations		-		6 2	
Amount owed to credit institutions		-		13 9	
Other creditors including taxation	21	-		28 6	
			-		48 7
Accruals and deferred income			-		2.2
Total liabilities			-		14,513 4

The financial statements were approved by the Board of Directors on 29 July 2008 and signed on its behalf by

P. J. Evans
Director

The information on pages 12 to 38 forms an integral part of these financial statements

1. STATEMENT OF ACCOUNTING POLICIES

The pncipal accountng polcies are set out below

Basis of presentation

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985 which cover the special disclosures applicable to insurance companies

The financial statements have also been prepared in accordance with applicable UK accounting standards and with the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business ("ABI SORP") dated December 2005 and revised in December 2006

Compliance with Statement of Accounting Practice ("SSAP") 19 (Accounting for Investment Properties) requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is provided in the accounting policy note relating to investments below

Under Financial Reporting Standard (FRS) 1 (Cashflow Statements), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary undertaking of a parent undertaking which produces a consolidated cash flow statement The cashflow of the Company is consolidated in the AXA group financial statements, which can be obtained from 23 avenue Matignon, 75008 Paris, France

Changes in accounting policy

FRS 29 (Financial Instruments Disclosure) is applicable for financial years ending after 1 January 2007 for companies applying FRS 26 (Financial Instruments Measurement) Whilst FRS 26 is adopted in these financial statements, the Company is exempt from the requirement to adopt FRS 29 This is on the grounds that following de-authorisation on 31 December 2007 the Company is allowed to take advantage of a subsidiary exemption as the ultimate parent company, AXA SA produces publicly available consolidated disclosures fulfilling the requirements

An Amendment to FRS 26 (Financial instruments Measurement) on recognition and derecognition is also applicable for the 2007 year end, but adoption has no impact on the financial statements

Contract classification

FRS 26 requires contracts issued by an insurer to be classified as insurance, investment with discretionary participation features (DPF) or investment Contracts classified as investment fall within the scope of FRS 26 whilst those classified as insurance or investment with DPF continue to fall within the scope of the ABI SORP

The Company issued contracts that transferred insurance risk or financial risk or both The Company issued no investment contracts with DPF

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Insurance contracts are those contracts that transfer significant insurance risk and may also transfer financial risk As a general guideline, the Company defined significant insurance risk as the possibility of having to pay benefits on the occurrence of the insured event that are at least 10% more than the benefits payable if the insured event did not occur. A contract that is classified as an insurance contract continues to be treated as such until all rights and obligations under the contract expire

Investment contracts are those contracts that transfer financial risk but do not transfer significant insurance risk Unit-linked contracts where the liability under the contract is dependent on the value of the underlying financial assets, derivatives or investment property are classified as investment contracts unless the contracts also contain features that transfer significant insurance risk

Where business is written via contracts with the legal form of reinsurance, the contract is assessed to determine whether it transfers significant risk For this assessment a significant transfer of persistency expense risk can give rise to significant insurance risk.

Insurance contracts

Premium income and commission

Premiums, reinsurance premiums and commission were accounted for when due.

Claims

Claims were accounted for when the policy ceased to hold units in the fund Reinsurance recoveries on claims were accounted for when the related claims become due

Acquisition costs and their deferral

The costs of acquiring new business written which were expected to be recoverable from future revenue margins were deferred and recognised in the balance sheet as deferred acquisition costs

The deferred acquisition cost asset was amortised over the period in which the costs, net of the related deferred tax provision, were expected to be recoverable out of margins arising from the related policies The rate of amortisation was consistent with the pattern of emergence of such margins

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Long-term reinsurance contracts

The Company had reinsured certain business written by SLAS and ASL, fellow subsidiaries within the group, to transfer part or all of one or more of the following risks mortality, morbidity, investment, persistency and expenses Such contracts were accounted for as insurance contracts provided the risk transfer was significant Contracts with the legal structure of reinsurance contracts, which did not transfer significant insurance risk, were accounted for in accordance with their substance as financial instruments falling under FRS 26. All reinsurance agreements were terminated on implementation of the Part VII scheme, as described in the Directors' Report

Unit-linked investment contracts

Amounts received in respect of unit-linked investment contracts were accounted for using deposit accounting, under which amounts collected were credited directly to the balance sheet, as an adjustment to the liability to the policyholder Financial liabilities in respect of unit-linked investment contracts were carried in the balance sheet as 'Technical provisions for linked liabilities' (see separate accounting policy note)

Fees receivable (included in other technical income) were recognised in the profit and loss account in the year they were assessed unless they related to services to be provided in future years, in which case they were deferred and recognised as the service was provided

Incremental costs that were directly attributable to securing unit-linked investment contracts, and were expected to be recoverable, were deferred and recognised in the balance sheet as deferred acquisition costs The asset was amortised as the related fees for investment management services were recognised

Investment return

Investment income and expenses included dividends, interest, rents, gains and losses on the realisation of investments, and related expenses Dividends were recognised on the date on which shares were quoted ex-dividend Income from government and other fixed income securities, loans and deposits was recognised on an accruals basis Shareholder investment income and expenses were recognised in the non-technical account Investment income and expenses of the long-term insurance business fund were recognised in the technical account

Unrealised gains and losses on investments represented the difference between the valuation of the investments (including land and buildings) at the balance sheet date and the most recent valuation This is either at the last balance sheet date or original cost if purchased during the year The unrealised gains and losses attributed to long-term business or held to cover linked liabilities were included in the long-term business technical account Other unrealised gains and losses were included in the non-technical account

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Expenses incurred and interest payable in the management of investments were accounted for on an accruals basis

Realised gains and losses were calculated as sale proceeds less purchase cost

Regular way purchases and sales of financial assets were accounted for at trade date

Investments

Land and buildings

Land and buildings were stated at open market value as determined annually by qualified surveyors C B Richard Ellis, or Jones Lang La Salle Ltd, firms of independent Chartered Surveyors

Under the Companies Act 1985, land and buildings are required to be depreciated over their expected useful economic lives In respect of investment properties this requirement conflicts with the requirement of SSAP 19 that no depreciation should be provided in respect of such investments The directors considered that to depreciate investment properties would not give a true and fair view and accordingly the provisions of SSAP 19 were adopted It was considered that if depreciation was charged it would not be significant on the basis of expected future residual values

Investments in group undertakings and participating interests

Loans issued to group undertakings were initially stated at fair value plus directly attributable transaction costs and were then subsequently valued at amortised cost using the effective interest method The effective interest rate was determined by identifying the yield on financial instruments with similar terms and conditions to the loans being valued

Other financial investments / Assets held to cover linked liabilities

The Company classified all its shares, other variable yield securities, units in unit trusts, debt securities and other fixed interest securities at fair value through profit and loss The classification of investments was determined at initial recognition

Financial assets were recognised when the Company became a party to the contractual provision of the instruments For equities and debt securities, that was taken to be the trade date Financial assets were derecognised when the Company's contractual rights to the cashflows of the financial assets expired provided that substantially all risks and rewards had been transferred For equities and debt securities, the de-recognition date was taken to be the trade date of the sale transaction

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Investments in the long term fund were recorded at fair value through profit and loss This policy was appropriate because, within the profit and loss account, it resulted in the matching of movements in the policyholder liabilities in the long-term business fund with the movements in the financial assets backing these liabilities Investments in the shareholders' fund were recorded at fair value through profit and loss because the assets were managed and their performance evaluated on a fair value basis Information about those financial assets was provided internally on a fair value basis to the AXA UK Group's key management personnel

The fair values of listed investments were based on current bid prices at the balance sheet date The only investments considered to be unlisted were investments in property limited partnerships by the long term fund The fair value of those assets was taken as the Company's appropriate share of the net asset value of the partnerships The net asset value was based on the latest external market valuations of the underlying property investments, which were updated at least every six months The valuation would be adjusted in the event of a significant market movement in the period between the last market valuation and the reporting date The valuation technique was not supported by observable market values.

Loans, receivables, deposits with credit institutions, certificates of deposits are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market Those instruments were classified upon initial recognition as fair value through profit and loss That policy was appropriate because, within the profit and loss account, it resulted in the matching of movements in the policyholder liabilities in the long-term business fund with the movements in the financial assets backing these liabilities Where the assets were in the shareholders' fund the policy was appropriate because the assets were managed on a fair value basis

Impairment of assets

At each balance sheet date, the Company assessed whether there was objective evidence that a financial asset was impaired A financial asset was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset which had an impact on the estimated future cash flows of the financial assets

Derivative financial instruments

Derivative financial instruments included futures, forward exchange contracts, and over the counter derivatives They were classified as held for trading Derivatives were initially recognised at fair value on the date on which a derivative contract was entered into and were subsequently re-measured at their fair value Fair values were obtained from quoted market prices in active markets and valuation techniques including option pricing models which had certain inputs not based on observable market prices

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Changes in the fair value of derivative instruments were recognised immediately in net fair value gains in the profit and loss account for the period No adjustment was made to the classification of existing investments to reflect the effect of the future settlement of these transactions Unrealised gains and losses on derivatives and financial instruments attributable to the long-term funds were included in the long-term business technical account.

Long-term business provision

The long-term business provision in 2006 was computed by a Fellow of the Institute of Actuaries, on the basis of recognised actuarial methods with due regard to the actuarial principles set out in Council Directive 2002/83/EC Following the transfer of business, no long-term business provision was required in 2007

The principal assumptions underlying the calculation of the long-term business provision are set out in note 18

Technical provision for linked liabilities

Liabilities under unit-linked contracts were recognised as and when the units were created and were dependent on the value of the underlying financial assets, derivatives or investment property

Unit-linked contracts which transferred significant insurance risk were classified as insurance contracts and were carried in the balance sheet at an amount determined by the valuation of the related units on the valuation date which was determined from the value of assets held to provide linked benefits to policyholders

Unit-linked contracts classified as investment contracts were carried in the balance sheet at amortised cost The amortised cost of these financial liabilities was equivalent to the amount payable on demand The Company considered this basis to be equivalent in all material respects to the valuation of contracts which transfer significant insurance risk and to the fair value of the liabilities

Other financial liabilities

Other financial liabilities were held at fair value on initial recognition and then subsequently valued at amortised cost using the effective interest rate, with movements included in the profit and loss account

Financial liabilities were recognised when the Company became a party to the contractual provision of the instruments. Financial liabilities were derecognised when the obligation specified in the instrument was discharged, cancelled or expired

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Offsetting financial instruments

Financial assets and liabilities were only offset when a legally enforceable right to offset existed and when there was either an intention to settle on a net basis or it was intended to realise the asset and settle the liability simultaneously

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies were translated into sterling at rates of exchange ruling at the end of the financial year All other foreign currency transactions were recorded at the actual rate of exchange prevailing on the date of the transaction and any exchange differences were dealt with in the part of the profit and loss account in which the underlying transaction was reported

Taxation

The charge for taxation was based on the profit for the year and took into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Provision was made for deferred tax liabilities, using the incremental liability method, on material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account Deferred tax assets were recognised to the extent that they were regarded as recoverable Deferred tax was calculated using rates substantively enacted at the balance sheet date Deferred tax balances were not discounted

The balance transferred from the long-term business technical account to the non-technical account was grossed up at the effective shareholders' corporation tax rate applicable.

2. MANAGEMENT OF FINANCIAL RISK

The Company is part of the AXA UK Group which has established a group wide risk management framework and associated set of policies These are designed to ensure that risks are adequately controlled and monitored through Risk Committees advising the Group Chief Executive and individual business unit Chief Executives A dedicated Financial Risk Management function supports the individual business units by ensuring that a full understanding and control of financial risks is incorporated into management decision making and procedures

Group-wide policies are in place in relation to specific risk areas Where UK-wide policies are not appropriate, due to the diverse nature of the risk individual business units are exposed to, policies have been established at a local business unit level For example, there are separate policies in respect of insurance risk and non-investment related credit risk within the various business units of the AXA UK Group

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

In 2006, the Company was exposed to financıal nsk through the ınherent uncertaınty ın undertakıng ınsurance busıness affectıng ıts financıal assets and lıabılıtıes The most ımportant components of thıs nsk were market, credıt, lıquıdıty and cash flow nsks

Followıng the transfer of busıness and related ınvestments under the Part VII scheme dıscussed ın the Dırectors' Report, all financıal nsks have been transferred from the Company ınto ASL

Hedge Accountıng

There are no current or forecasted transactıons for whıch hedge accountıng ıs used

The maın types of financıal assets held by the Company at 31 December 2006 were equıtıes and debt securıtıes as set out below As at 31 December 2007, no equities or debt securıtıes were held by the Company

	2006
Equities	£m
Other financıal ınvestments – Note 13	13 1
Lınked assets	7,151 8
	7,164 9

	2006
Debt securities	£m
Other financıal ınvestments – Note 13	38 3
Lınked assets	4,351 4
	4,389.7

Market rate risk

Market nsk can be defined as the nsk that movements ın market factors namely equıty, bond, property and commodıty pnces, ınterest rates and foreıgn exchange rates ımpact adversely the value of, or ıncome from, shareholder and polıcyholder funds

For an ınsurance company market nsk appetıte ıs requıred to reflect the aım of retaınıng prudent margıns to avoıd ınsolvency Other factors whıch are relevant to market nsk strategıes are meetıng the regulatory duty to Treat Customers Faırly and the desıre to optımıse ınvestment performance

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

Policyholder funds

Prior to the transfer of business, the Company only underwrote unit-linked life contracts where the policyholder liabilities were directly linked to the market value of assets within the investment funds As such, there was no direct market risk to the shareholder in respect of price fluctuations on these assets There was a secondary shareholder exposure to market risk arising from the fact that management fees due were related to the market value of assets in the policyholder funds Policyholder assets were invested according to the investment guidelines of the specific unit-linked fund to which they related

Shareholder funds

In 2007, all shareholder assets were transferred to ASL under the Part VII transfer Prior to this the Company held shareholder assets backing retained profits and shareholder capital and working capital items such as outstanding claims The majority of these assets were held as cash, short term deposits with no price risk and holdings in fixed interest securities designed to generate a return over that available on cash deposits at low levels of market risk

		2006	
Debt securities by interest rate	**0% to 4%**	**> 4%**	**Total**
Debt securities £m	2,614 3	1,775 4	4,389 7
Interest rate - Average	1 0%	5 1%	2 7%

The fair value of debt securities was exposed to future interest rate fluctuations As the majority of debt securities were backing unit-linked liabilities, changes in their value were offset by changes in the linked liabilities

Included in debt securities in 2006 was £2,855 9m in respect of index linked bonds and £383 4m in respect of variable rate debentures For index linked bonds, future coupon cashflows were adjusted for changes in inflation rates to provide protection against erosion of the value of the bond The coupon on variable rate debentures varies according to underlying interest rates

Debt securities, index linked bonds and intercompany loans with fixed interest rate were exposed to fair value interest rate risk but not cashflow interest rate risk

Debt securities and intercompany loans with variable interest rates were exposed to cashflow interest rate risk but not fair value interest rate risk

All other financial instruments were not directly exposed to interest rate risk

The average effective interest rate in 2006 for deposits with credit institutions was 5 0%

The average effective interest rate in 2006 for intercompany loans approximated to LIBOR

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

Equity analysis by industry*	2006 £m	%
Financial institutions	1,991 9	27.8
Consumers	1,175 0	16.4
Energy	12 7	0.2
Communications	380 2	5.3
Industrial	654 2	9.1
Utilities	1,340 3	18.7
Basic material	207 4	2.9
Technology	41 9	0.6
OEICS, unit trusts	1,352 7	18.9
Others	8 6	0.1
Total	7,164 9	100.0

Debt securities analysis by industry*	2006 £m	%
Government stock	3,473 9	79 1
Financial institutions	737 6	16.8
Others	178 2	4.1
Total	4,389 7	100 0

Currency risk

Prior to the transfer, the Company was exposed to currency risk in respect of portfolios denominated in other currencies Mitigation of this risk was achieved by matching the liabilities with assets in the same currency

Currency analysis equity*	2006 £m	%
EUR	124 0	1 7
GBP	6,817 5	95 2
USD	86 8	1 2
Others	136 6	1 9
Total	7,164 9	100 0

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

	2006	
Currency analysis of debt securities*	£m	%
EUR	23 7	0.6
GBP	4,245 0	96 7
USD	67 9	1.5
Others	53 1	1 2
Total	4,389 7	100 0

*No analysis is provided for 2007 as no equity or debt securities were held by the Company

Liquidity and cash flow risk

Liquidity or cash flow risk is defined as the risk that the Company, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to enable the Company to meet policyholder, Government, regulatory or operational obligations as they fall due

This risk could arise as a result of illiquid asset holdings, inappropriate asset/ liability matching, or inaccurate assessments of potential operating liquidity requirements resulting in insufficient short-term (including intra-day) and longer term liquidity

Following the transfer of business and the deregulation of the Company, all cash or cash equivalents were transferred to ASL

In 2006, liquidity risk in the Company was controlled via the requirements of AXA UK that business units carry out annual liquidity reviews including stress testing to ensure that sufficient liquidity existed in the business These reviews incorporated the results of reviews by the investment managers into the liquidity of the investment portfolios In addition the UK Group policy required companies to ensure daily cash management procedures were efficient, well documented and controlled and that robust working capital management procedures existed

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

Maturity analysis **2006**	**Less than 1 year** **£m**	**1-5 years** **£m**	**Over 5 years** **£m**	**Other** **£m**	**Total** **£m**
Financial assets					
Equities	-	-	-	7,164 9	7,164 9
Debt securities	6 0	693 2	3,690.5	-	4,389 7
Deposits with credit institutions	1,357 1	-	-	-	1,357 1
Receivables	106 3	-	-	-	106 3
Investments in group undertakings	-	-	28 0	-	28 0
Cash	53 4	-	-	-	53 4
Derivatives	8 4	2 8	-	-	11 2
Total	1,531 2	696 0	3,718 5	7,164 9	13,110 6

Maturity analysis **2006**	**Less than 1 year** **£m**	**1-5 years** **£m**	**Over 5 years** **£m**	**Other** **£m**	**Total** **£m**
Financial liabilities					
Investment contract liabilities	12 2	50 4	146 6	1,184 1	1,393 3
Creditors	17 5	-	-	-	17 5
Total	29 7	50 4	146 6	1,184 1	1,410 8

Contracts with no maturity date were investment bonds and whole life policies Contracts with a maturity date were endowment contracts

There was no difference between maturity dates and time at which interest rates cease to be fixed

Credit risk

Credit risk can be defined as the risk of capital or income loss resulting from counterparty default or issuer credit downgrades Credit risk can arise from investment related assets or from non-investment related assets A UK group-wide policy exists for the control of investment related credit risk whilst a business unit level policy exists for non-investment related items

Following the transfer of business, the Company is not exposed to credit risk at 31 December 2007

Prior to 2007, for investment related items, credit risk was actively accepted in anticipation of the potential returns to be made on the investments The level of credit risk to which the portfolios were exposed was controlled via the application of concentration limits to limit exposure to any one counterparty and in the case of fixed income and cash instruments to limit total exposure to issuers with lower credit ratings

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

Non-investment items which generate credit risk generally arose as a by product of the Company's insurance operations Items covered by the non-investment credit risk policy included balances with external reinsurers, loans and advances to intermediaries, commission debts, policyholder premium debts, policyholder loans and other operational debts For the Company, exposure to non-investment credit risk was restricted to that arising from premium debt which was controlled by active monitoring of the levels of debt.

Credit profile of debt securities*

	2006	
Ratings	£m	%
AAA	3,528 0	80 4
AA	113 2	2 6
A	460 2	10 5
BBB	286 8	6 5
Not rated	1 5	0 0
Total	4,389 7	100 0

The total amount exposed to credit risk which included debt securities, deposits with credit institutions, receivables and cash was £5,906 6m in 2006

The Company held no financial assets pledged as collateral to it by third parties and pledged none of its own assets as collateral to third parties

*No analysis is provided for 2007 as no debt securities were held by the Company

3. SEGMENTAL ANALYSIS

In the opinion of the directors, the Company operated in one business segment, being that of long-term insurance business principally in the United Kingdom

i) Gross premiums written

	2007	2006
	£m	£m
Regular premiums	-	53 5
Single premiums	-	1,484 0
	-	1,537 5
UK business	-	1,537 3
Overseas business	-	0 2
	-	1,537 5

All premiums were from reinsured unit-linked life policies for individual lives

3. SEGMENTAL ANALYSIS (CONTINUED)

ii) Gross new business premiums

	Regular premiums		Single premiums	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Gross new business premiums	-	8 9	-	1,484 0

Gross new business premiums were in respect of reinsurance inwards treaties which transfer significant risk

In classifying new business premiums the following bases of recognition were adopted

- Recurrent single premium contracts were included as new business single premiums
- Regular premiums received other than annually were reported on an annualised basis
- Premiums received in respect of contracts which do not transfer significant risk were deposit accounted and therefore not included in the analysis

Following the transfer of business under the Part VII scheme on the 1 January 2007, no new business has been written into the Company

4. INVESTMENT INCOME

	Technical Account		Non-technical Account	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Income from group undertakings	-	-	-	1 3
Income from land and buildings	-	48 5	-	-
Income from other investments	-	485 3	-	2 1
Gains on the realisation of investments	-	404 6	-	-
	-	938 4	-	3 4

5. NET OPERATING EXPENSES

	Technical Account	
	2007	2006
	£m	£m
Acquisition costs	-	125 5
Change in deferred acquisition costs	**374.3**	(74.6)
Administrative expenses	-	33.2
	374.3	84 1

6. INVESTMENT EXPENSES AND CHARGES INCLUDING INTEREST

	Technical Account		Non-technical Account	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Investment Management expenses	-	18 0	-	-
Other Interest	-	1 3	-	-
Losses on the realisation of investments	-	-	-	0 5
Transaction costs on investment purchases	-	6 0	-	-
	-	25 3	-	0 5

7. AUDITORS' REMUNERATION

	2007	2006
	£m	£m
Audit services		
Fees payable to Company's auditor	-	0 1
Non-audit services		
Other services pursuant to legislation Attestation under the Sarbanes-Oxley Act	-	0.1

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2007	2006
	£m	£m
Profit on ordinary activities before tax is stated after charging		
Auditors' remuneration – Audit services	-	0 1
Net commissions payable in respect of reinsured business	-	91 5

The fees in respect of Sarbanes-Oxley attestation are deemed to relate to the Company but have been borne by AXA UK plc

9. REMUNERATION OF DIRECTORS AND EMPLOYEES

The directors are employed and paid by companies in the AXA group and their directorships are held as part of that employment No director has received any emoluments or other benefits from the Company or from any other company in the AXA group in respect of services to the Company

Mr P J Evans, Mr P L H Maso y Guell Rivet, Mr F de Menéval, Mr N J-M D Moreau and Mr I D Richardson were also directors of the intermediate parent company, AXA UK plc, during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company

9. REMUNERATION OF DIRECTORS AND EMPLOYEES (CONTINUED)

Mr D E Hynam, and Mr A J Purvis were also directors of AXA Sun Life Holdings plc during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company

The costs of staff are borne by AXA Sun Life Services plc ("ASLS") ASLS levies management fees on the Company based upon standard rates and volumes of business processed It is not therefore possible to identify separately the amounts of staff costs within the management fees Staff costs are disclosed in the accounts of ASLS

10. TAXATION

	Technical Account		Non-technical Account	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
UK corporation tax:				
UK corporation tax	-	35 0	-	0 7
Adjustments in respect of prior periods	-	(11 9)	-	-
Double taxation relief	-	(1 0)	-	-
Total UK corporation tax	-	22 1	-	0 7
Overseas tax	-	1 0	-	-
Tax credit attributable to the balance on the long-term business technical account	-	-	-	37.3
Total current tax	-	23 1	-	38 0
Deferred tax:				
Net deferred acquisition costs	-	9 8	-	-
Adjustments in respect of prior periods	-	6 0	-	-
Total deferred tax	-	15 8	-	-
Tax on profit on ordinary activities	-	38 9	-	38 0

UK corporation tax shown under the technical account is charged on the basis applicable to life assurance companies Corporation tax has been charged at a rate of 30% (2006. 30%) on shareholders' profits and at a rate of 20% (2006 20%) on policyholders' income UK corporation tax shown under the non-technical account is charged at a rate of 30% (2006 30%).

10.TAXATION (CONTINUED)

Factors affecting the tax charge
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below.

Non-technical account	**2007**	2006
	£m	£m
(Loss) / Profit on ordinary activities before tax	**(467.1)**	163 5
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	**140.1**	49 1
Difference between effective rate of 23 1% (2006 23 1%) and standard rate (30%) on balance on long-term business account	-	(11 1)
Exceptional item not subject to tax	**(140.1)**	
Current tax charge for the period	-	38.0

11. EXCEPTIONAL ITEM

In 2007 an exceptional loss of £467 1m was made in the non technical account This was in respect of the transfer of shareholder net assets under the Part VII scheme, as described in the Directors' Report

The transfer of insurance business under the Scheme resulted in the following movements in the technical account in 2007

	2007
	£m
Claims incurred, net of reinsurance	
Change in provision for outstanding claims	**0.2**
Change in other technical provisions, net of reinsurance	
Long-term business provision	**13.3**
Technical provision for linked liabilities	**13,942.7**
Net operating expenses	**(374.3)**
Other technical charges	**(13,581.9)**
	-

Other technical charges represent the write down of assets passed to ASL as compensation for the liabilities transferred

During 2006 non-recurring technical provision releases were made totalling £65 7m

12. INVESTMENTS IN GROUP UNDERTAKINGS

	Carrying Value		Purchase Price	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Loans	-	28 0	-	28.0
	-	28.0	-	28.0

On 1 January 2007 all investments in group undertakings were transferred to ASL, a fellow subsidiary under the provisions of the Part VII scheme

13. OTHER FINANCIAL INVESTMENTS

	Carrying Value		Purchase Price	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Listed shares and other variable yield securities and units in listed unit trusts	-	13 1	-	9 0
Debt securities and other fixed income securities	-	38 3	-	39 5
Deposits with credit institutions	-	76 5	-	76 5
	-	127 9	-	125 0

On 1 January 2007 all financial investments were transferred to ASL, a fellow subsidiary under the provisions of the Part VII scheme

14. ASSETS HELD TO COVER LINKED LIABILITIES

	Carrying Value		Purchase Price	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Assets held to cover linked liabilities	-	13,942.7	-	9,297 0

On 1 January 2007 all assets held to cover linked liabilities were transferred to ASL, a fellow subsidiary under the provisions of the Part VII scheme

15. OTHER DEBTORS

	2007	2006
	£m	£m
Amounts owed by group undertakings	-	29.8
Other debtors	-	1.4
	-	31.2

On 1 January 2007 all other debtors were transferred to ASL, a fellow subsidiary under the provision of the Part VII scheme

16. CALLED UP SHARE CAPITAL

	2007 Authorised	**Paid-up**	2006 Authorised	Paid-up
	£m	**£m**	£m	£m
Authorised:				
3,000,000 ordinary shares of £1 each	**3.0**		3 0	
Issued:				
3,000,000 ordinary shares of £1 each, fully paid		**3.0**		3 0

17. PROFIT AND LOSS ACCOUNT

	2007	2006
	£m	£m
As at 1 January	**464.1**	364 6
Dividends paid	**-**	(26 0)
Retained profit/(loss) for the financial year	**(467.1)**	125 5
At 31 December	**(3.0)**	464 1

On 1 January 2007 all shareholder fund net assets were transferred to ASL, a fellow subsidiary under the provisions of the Part VII scheme Following the transfer, no distributable profits remain in the company At 31 December 2006, £335 5m of the profit and loss account was not distributable

18. TECHNICAL PROVISIONS

Capital management policies

Prior to 2007, the Company's objectives in managing its capital were

- to support the writing of new business
- to ensure that payments due to policyholders were met
- to satisfy the capital requirements of the regulators
- to assist in the efficient use of available capital in the AXA Group

Restrictions on available capital resources

Surplus in the Long-Term Fund could generally be distributed to shareholders subject to meeting regulatory requirements and other capital management objectives of the Company

No transfers from the Long-Term Fund could take place without an up to date actuarial valuation

18. TECHNICAL PROVISIONS (CONTINUED)

The capital held within the shareholders' fund was generally available to meet any requirements, including distribution to shareholders, provided that regulatory requirements and other capital management objectives of the Company remained satisfied

Intra-group capital arrangements

Intra-group capital arrangements were used to assist in the efficient use of available capital across the AXA Group In 2006 the Company had made a loan of £25m from its shareholder fund to ASLH This was transferred to ASL under the provisions of the Part VII scheme

Technical provisions

The Company wrote unit-linked life business The technical provision for linked liabilities was determined in accordance with the policy detailed in note 1 (Statement of Accounting policies)

Additional technical provisions arising from insurance linked contracts were held within the long-term business provision, and included an allowance for any excess of future costs over policy charges A discounted cash-flow valuation method was adopted to determine these additional provisions for all major classes of business The main assumptions related to the discount rate, future expenses and future unit price growth, and future mortality experience Further provisions such as those in respect of equalisation of tax between funds and mis-selling costs were also held

In September 2006 the FSA issued Consultation Paper 06/16 that contained proposals for the relaxation of the valuation rules for non-profit business These rule changes were confirmed in the Policy Statement 06/14 issued in December 2006 For practical reasons these were not implemented in the 31 December 2006 valuation, and thus no allowance was made in the valuation of non-profit or unit-linked business for

- lapse assumptions,
- negative reserves, or
- non-attributable expenses

Main assumptions

Economic

The following main economic assumptions were made

	2006 % p.a.
Inflation rate	4.25
Discount rate	2.50
Unit growth rate	4.60

18. TECHNICAL PROVISIONS (CONTINUED)

The assumed inflation rate was determined by considering rates derived from market prices of index-linked securities, with the addition of a prudent margin and an allowance for the excess of future expense inflation over price inflation The discount rate was determined having regard to the yields of assets backing the liabilities, subject to deductions for a prudent margin and to allow for tax The unit growth rate was set by considering the inflation rate and adding a prudent estimate of the long-term excess of unit growth rates over inflation rates and deducting an allowance for tax The unit growth assumption was before deduction of fund management charges

Mortality

Mortality assumptions were based on published tables suitably adjusted to reflect actual experience Experience was monitored annually for the major products Mortality assumptions include margins for prudence

Expenses

The provision for future expenses in determining the liabilities for all types of business covered servicing fees payable by the Company to ASLS under the Management Services Agreement, fees paid to investment managers and further amounts in respect of other expenses Fees paid to investment managers were assumed to be 0 16% p a of funds in 2006 Expenses were applied for each policy individually No amounts have been paid by the Company in 2007, as all funds have been transferred to ASL, a fellow subsidiary under the provisions of the Part VII scheme

Persistency

No allowance was made for voluntary discontinuance

Premiums

It was assumed that policyholders would continue to pay premiums in line with their policy conditions However, if for a particular class of business the assumption that the contract is made paid-up on the valuation date gives higher reserves, then this was assumed

Options and guarantees

There were no significant options or guarantees

18. TECHNICAL PROVISIONS (CONTINUED)

Regulatory capital statement

	2007	2006
Available capital resources	**£m**	£m
Shareholders' funds outside long-term fund	-	113 8
Shareholders' funds within long-term fund	-	353 3
Total shareholders' funds	-	467.1
Adjustments onto regulatory basis:		
Assets	-	(454 9)
Liabilities	-	92 3
Total capital resources available to meet regulatory requirements	-	104 5
Regulatory capital requirements		
Long-term Insurance Capital Requirement	-	8 5
Total regulatory capital requirements	-	8 5

Following the deregulation of the Company as at 31 December 2007 there is no longer any requirement to hold regulatory capital The below analysis refers to regulatory capital held in 2006

Regulatory Capital Resources

The regulatory capital resources of the Company shown in the capital statement were equal to the excess of the market value of assets (after deducting the value of any assets that cannot be included in the regulatory valuation) over the regulatory value of liabilities The regulatory value of technical provisions included in liabilities was the same as that reported on the balance sheet

Regulatory Capital Requirements

The regulatory capital resources must be sufficient to meet the regulatory capital requirements prescribed by the Financial Services Authority (FSA) There are two components of regulatory capital requirements

- the Long-Term Insurance Capital Requirement (LTICR), which is determined by applying various fixed percentages to certain liabilities and sums at risk, together with a element based on expenses, and
- the Resilience Capital Requirement (RCR), which is the amount needed to cover various stress tests applicable to the regulatory valuation

No RCR was required, as the base valuation covered the impact of the stress tests

The FSA also required the Company to determine its Individual Capital Assessment (ICA), or any Individual Capital Guidance (ICG) notified by the FSA, if higher and to hold sufficient capital to cover the amount of ICA The ICA was based on the Company's own assessment of the risks that it was subject to The ICA was determined in accordance with guidance laid down by the FSA The ICG was determined by the FSA on the basis of analysis of the Company's ICA

18. TECHNICAL PROVISIONS (CONTINUED)

Analysis of liabilities

The whole of the liabilities of the Company related to unit-linked business

Capital resource sensitivities

The capital position was sensitive to changes in market conditions, due to both changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities It was also sensitive to assumptions and experience relating to expenses and persistency

The most significant sensitivities arose from the following risks

- persistency risk which would have arisen if increased rates of surrenders reduced future profit margins on fund management charges, and
- market risk which would have arisen if falls in the value of policyholders' invested assets reduced future fund management charges

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience In general, if experience had deteriorated or was expected to deteriorate and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it, where appropriate In this way, liabilities would be increased to anticipate the future impact of the worse experience with immediate impact on the capital position

18. TECHNICAL PROVISIONS (CONTINUED)

Movements in capital resources

Analysis of movements in capital resources for the years ending 31 December 2006 and 31 December 2007

	2007 £m	2006 £m
Total capital resources available to meet regulatory requirements at 1 January	**104.5**	64 5
Changes in assumptions used to determine technical provisions		
Interest rates	-	0 5
Expenses	-	(4 3)
Other	-	8 6
	-	4 8
Other changes		
Strain of writing new business	-	(72 5)
Surplus emerging on existing business	-	44 5
Releases from other reserves	-	57 5
Dividends paid	-	(26 0)
Tax	-	22 4
Other	-	9 3
	-	35 2
Transfer under the Part VII scheme on 1 January 2007	**(104.5)**	-
Total changes	**(104.5)**	40.0
Total capital resources available to meet regulatory requirements at 31 December	-	104.5

In 2007 all capital resources were transferred to ASL under the terms of the Part VII transfer

In 2006 "Change in assumptions - other" there was a reserve release of £8 2m arising as a result of changes in the treatment of non-guaranteed enhancements paid on unit cancellation

Following the completion of the CGT calculations for the years 1998 to 2004, the Tax Equalisation Reserve was rebased so that the closing balance at 31 December 2006 reflected the timing differences between company and individual unit-linked funds at that date This rebasing exercise resulted in the reserve being reduced by £32 3m, of which £7 3m was utilised (offsetting current tax on realised gains) and £25 0m contributed to capital resources

The potential policyholder compensation amounts were reduced significantly in 2006 following completion of the CGT review for the years 1998 to 2004 Of the resulting £38.9m fall in the Capital Gains Tax Provision, £6 4m was utilised and £32 5m was released to capital resources

19. TECHNICAL PROVISION FOR LINKED LIABILTIES

	2007	2006
	£m	£m
Investment contract lıabılıtıes	-	1,393 3
Insurance contracts lıabılıtıes	-	12,549 4
Technical provision for linked liabilities	-	13,942 7

On 1 January 2007 all amounts relatıng to the technıcal provısıon for lınked lıabılıtıes were transferred to ASL, a fellow subsıdıary under the provısıons of the Part VII scheme

20. PROVISIONS FOR OTHER RISKS AND CHARGES

Deferred taxation	2007	2006
	£m	£m
At 1 January	39.2	23 4
Charge to profit and loss account	-	15 8
Transferred durıng the year	(39.2)	-
At 31 December	-	39 2

The balance ın respect of deferred taxatıon can be analysed as follows

	2007	2006
	£m	£m
Net deferred acquısıtıon costs	-	39 2

On 1 January 2007 all provısıons for other rısks and charges were transferred to ASL, a fellow subsıdıary under the provısıons of the Part VII scheme

21. OTHER CREDITORS INCLUDING TAX

	2007	2006
	£m	£m
Tax payable	-	18 0
Amounts owed to group undertakıngs	-	1 6
Other credıtors	-	9 0
	-	28 6

On 1 January 2007 all other credıtors were transferred to ASL, a fellow subsıdıary under the provısıons of Part VII scheme

22. DERIVATIVES VALUED IN ACCORDANCE WITH FAIR VALUE ACCOUNTING RULES

In 2006 included within assets held to cover linked liabilities were derivative contracts accounted for under the fair value accounting rules The derivative contracts had a fair value of £11 2m and a cost of £8 3m Movements recorded in the profit and loss account for the year were £11 9m in respect of realised gains and £3 2m in respect of unrealised gains All derivatives were transferred out of the company on 1 January 2007 under the provisions of the Part VII scheme

In 2006 the fair value of derivatives included

- £5.7m in respect of futures used by linked investment funds to manage equity or fixed interest market exposure These derivatives were listed on recognised exchanges and so the quoted price was regarded as their fair value Movements in fair value arose from variations in the underlying indices and cashflows were dependent on quoted prices at the dates on which the contracts expire or were closed out

- £2 7m in respect of forward foreign exchange contracts used to manage exchange risk in respect of foreign investments The fair value of these contracts was calculated via reference to the difference between the balance sheet date forward rate and the forward rate in the contract Movements in fair values arose from variations in exchange rates and cashflows were dependent on exchange rates on the dates on which the contracts expire

- £2 8m in respect of over the counter derivatives negotiated with investment bank counterparties which backed products with capital protection features These were valued according to indicative bid prices supplied by the counterparty which were a reflection of their assessment of prevailing market conditions. The valuation technique was not supported by observable market values

Notional and fair value of derivatives	**2007**		2006	
	Notional Amount £m	**Fair Value Asset £m**	Notional Amount £m	Fair Value Asset £m
Futures	-	-	424 0	5 7
Forwards	-	-	127 6	2 7
Swaptions	-	-	28 8	2 8
Total	-	-	580 4	11 2

23. ASSETS ATTRIBUTABLE TO THE LONG-TERM INSURANCE BUSINESS FUND

At 31 December 2006 the total amount of assets representing the long-term fund valued in accordance with Schedule 9A to the Companies Act 1985 were £14,398 5m On 1 January 2007, all assets attributable to the long-term fund was transferred to ASL, a fellow subsidiary under the provisions of Part VII scheme The total amount of assets transferred were valued at £14,398.5m

24. CONTINGENT LIABILITIES

The Company provided an indemnity to ASLS, a fellow subsidiary, which acted as a distributor and third party administrator for the Company's products and services This indemnity was provided in the event of ASLS becoming insolvent, to meet and deal with any civil liability which ASLS had incurred to investors in the course of its relevant business, for as long as ASLS remains in its role

No amount was recognised under the financial guarantee requirements of FRS 26 as the likelihood of any liability arising from the indemnity was considered remote and so its fair value was considered to be immaterial

25. CAPITAL COMMITMENTS

On 1 January 2007 all capital commitments held by the long term fund were transferred to ASL, a fellow subsidiary under the provisions of Part VII scheme At 31 December 2006 the Company had contracted for capital commitments of £37 5m

26. RELATED PARTIES

As the Company is a wholly-owned subsidiary it has taken advantage of the exemption granted under Financial Reporting Standard 8 (Related Party Disclosures) where subsidiary undertakings do not have to disclose transactions with Group companies qualifying as related parties provided that consolidated financial statements are publicly available

In 2005 the long-term business fund of the Company invested in a number of unit trusts and OEICs managed by AXA Fund Managers Limited, a group company As at 31 December 2006 the value of the units and shares held by the long-term business fund was £1,094 8m On 1 January 2007 all units and shares with related parties, totalling £1,094 8m were transferred to ASL, a fellow subsidiary under the Part VII scheme

27. IMMEDIATE AND ULTIMATE PARENT COMPANIES

The Company is an immediate subsidiary of AXA Sun Life Holdings plc, a company incorporated in Great Britain and registered in England and Wales

In the opinion of the directors, the Company's ultimate parent and controlling company is AXA, a company incorporated in France The parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared is AXA Copies of the AXA group financial statements can be obtained from 23 avenue Matignon, 75008 Paris, France